

Statement of Rep. Tom Davis
Ranking Republican Member
Committee on Oversight and Government Reform
“Waste, Fraud, and Abuse in the Federal Crop Insurance Program”
May 3, 2007

Good morning and thank you for convening this hearing, Mr. Chairman. As the principal House oversight committee, we are empowered by our rules to “review and study on a continuing basis the operation of Government activities at all levels with a view to determining their economy and efficiency.” That’s a broad mandate to look anywhere, in any Department or agency, for profligate spending and to recommend reforms. This morning we focus that powerful oversight microscope on a costly program that seems uniquely and dangerously vulnerable to waste, abuse and fraud – the Federal Crop Insurance Program.

In an attempt to induce the private insurance marketplace to underwrite the highly variable risks of crop blights and failures, the program subsidizes premiums and provides insurers with a generous margin to cover administrative and operating costs. The federal government even assumes a substantial portion of the liabilities flowing from the riskiest pooled policies. But the program has not achieved its primary goal – to reduce or eliminate the need for annual disaster payments to farmers. And, as currently structured, the crop insurance system offers almost no incentives to limit costs, but practically invites unnecessary or fraudulent payments.

Today, we’ll hear from the Department of Agriculture, the USDA Inspector General’s office, the U.S. Government Accountability Office, and respected academics on efforts to control a subsidy program that last year cost taxpayers \$2.5 billion. Both the Inspector General and the GAO have made recommendations to the Agriculture Department’s Risk Management Agency to tighten expenditure controls, recoup excessive payments, prevent fraudulent claims, and strengthen enforcement against those who exploit the program. We need to know what progress is being made implementing those recommendations, what resources are being applied to the task, and what still needs to be done to reduce vulnerabilities.

Farm bills now under consideration may attempt to expand crop insurance availability, and subsidies, further still; so the inclusion of stronger fiscal controls and enforcement tools should be an urgent priority. The Administration has proposed three important structural reforms to make crop insurance a more effective hedge against annual disaster payments, reduce administrative and operating costs, and limit underwriting gains by insurers in years when premiums far exceed paid claims. Not surprisingly, some farm groups oppose those proposals.

But, as we have demonstrated in the past, bipartisan oversight by this Committee can inform and improve the work of other Committees trying to balance the needs and demands of various constituencies. In 2003 and 2004, our investigation of inspections and testing to detect Mad Cow Disease brought important information to light about delays, denials and other lapses in vigilance that might have otherwise been overlooked. With this hearing, we can shine the same curative light on the crop insurance program.

Again, Chairman Waxman, thank you for focusing the Committee's attention on this important federal program. I look forward to the testimony of today's witnesses and to our continuing bipartisan work to make government more efficient and effective.